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COMMERCE COMMISSION

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CHIEF CLERK'S OFFICE

**Docket No. 07 – 0540**

## I. Introduction and Summary

The Natural Resources Defense Council (NRDC) respectfully submits these comments in accordance with Section 12-103(f) of the Public Utilities Act (220 ILCS 5/12-103(f)). NRDC is a non-profit membership organization with 1.2 million members and on-line activists nationwide; 217,500 members and on-line activists in eight Midwest states<sup>1</sup> and 20,000 in Illinois. NRDC has a long-standing interest in promoting energy efficiency and other demand-side resources as viable and cost-effective alternatives to conventional supply-side generation resources such as coal and nuclear plants.

NRDC commends the Commonwealth Edison Company (ComEd) for its thorough and detailed filing; commitment to a robust, inclusive and on-going stakeholder process; goal of fundamentally transforming the market in Illinois rather than just “cherry picking” savings that are easy to get, and offering a broad range of programs to all customers, not just those who are inexpensive to serve or easy to reach.

<sup>1</sup> The states are: Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio and Wisconsin.

Furthermore, NRDC applauds ComEd's desire to incorporate best practice portfolio and program design and goal to maximize the capture of cost-effective energy efficiency subject to spending screens.

Overall, ComEd's demand-side portfolio objectives, portfolio analysis process, program design, and regulatory filing are laudable. They reflect an approach that is likely to allow ComEd to achieve its energy savings goals and company objective of transforming Illinois to a cleaner, less energy-intensive state.

NRDC offers several comments on issues listed below to strengthen the framework for successful, cost-effective demand-side programs and better achieve the demand-side portfolio goals:

1. Advisory Demand-Side Stakeholder Collaborative Process;
2. Interactive effects between measures and avoiding lost opportunities;
3. Statewide program consistency; and
4. Identifying and defining demand-side portfolio and program cost categories, then reviewing and monitoring administrative costs.

## **II. A Transparent, Meaningful Advisory Demand-Side Stakeholder Collaborative Process Is Important to Maximize Cost-Effective Energy Savings and Ensure Demand-Side Program Success in Illinois**

NRDC appreciates that it had the opportunity to participate in a stakeholder collaborative process to provide input on the demand-side portfolio development. A meaningful, ongoing Advisory Process as program details are finalized, and programs are implemented and evaluated, is important to maximizing benefits from the demand-side portfolio.

NRDC commends ComEd's commitment to a transparent and meaningful stakeholder collaborative. ComEd indicates that it seeks ongoing stakeholder input and advice on portfolio and program design, implementation and evaluation. (Filing, p. 12.) Finally, ComEd seeks stakeholder input in fashioning the stakeholder collaborative process. (Id.) In response to ComEd's request for stakeholder input on the collaborative process, NRDC here provides recommendations on the process in Attachment A: Principles and Guidelines for the Advisory Demand-Side Stakeholder Collaborative Process ("Advisory Process"). NRDC recommends that the Commission adopt a combined Advisory Demand-Side Stakeholder Collaborative Process for all three program administrators.

Key elements of the process recommendations include:

1. Process is Advisory: ComEd is accountable for achieving the portfolio goals. Thus, they should have flexibility and discretion to manage the

portfolio and programs to meet their statutory obligations. The Advisory Process members should not be vested with decision-making authority but instead should serve as advisors.

2. Clarifying Process Objectives: Clarifying Advisory Process objectives to help keep the meetings focused;
3. Statewide Combined Collaborative Process: The Advisory Process should include all three program administrators, ComEd, Ameren and DCEO. A separate process for each administrator will not lead to statewide program consistency (described below) and will be much more expensive for stakeholders to participate in.
4. Issue Identification: To maximize the benefits from the demand-side portfolio, the portfolio administrators should seek input from the knowledgeable and dedicated community of stakeholders before making certain changes to the portfolio or programs. Stakeholders should be given notice and the opportunity to comment on key issues that could impact portfolio costs or savings as set forth in Attachment A, appended hereto.
5. Meeting Format: So that stakeholders have time to meaningfully review issues that are before them, NRDC recommends requiring a meeting agenda and meeting materials be circulated a specified number of days before the stakeholder meeting.
6. Advisory Process Comment Tracking and Response System: After each meeting, the meeting facilitator should summarize issues raised, proposed action items and stakeholders questions. The meeting facilitator should work with the portfolio administrators to prepare responses to all items and identify which items caused the administrators to modify its portfolio or programs. The Comment Tracking and Response system will help demonstrate to stakeholders that their participation resulted in meaningful discussions and change.

### **III. NRDC Recommends that Portfolio and Program Design Capture Interactive Effects Between Measures and Lost Opportunities To Maximize Benefits from Energy Efficiency**

ComEd's plans described how they screened individual measures for cost-effectiveness. (See ComEd Filing Technical Appendix A, pp. A-7, A-8.) They then bundled measures into logical groups. The process of screening individual measures for cost-effectiveness before bundling them into programs will not maximize the benefits from the demand-side portfolio.

Best practices portfolio design addresses interactive effects from measures and effectively addresses lost-opportunity situations. For example, upgrading to a higher-efficiency HVAC may not be cost-effective. However, when combined with efficient lighting and building envelope measures which reduce the heat load, the HVAC size can be reduced and the incremental measure cost between the efficient and standard measures is lower. Consequently, a project that was not cost-effective under a less comprehensive approach can become cost-effective when high-efficiency measures are combined.

Furthermore, several measures (such as building envelope measures) are less expensive to address at the new construction stage than during a retrofit. Best practices portfolio design seeks to encourage and provide incentives for efficient building design rather than just providing incentives during retrofit.

NRDC supports the City of Chicago's request that ComEd should be required to take into account and seek opportunities to leverage existing programs, networks and delivery channels to minimize administrative and other costs related to energy efficiency program design, implementation and delivery.

NRDC requests that the Commission clarify in its order that the portfolio administrators should permit measures and program elements to be added to the portfolio to address interactive effects and address lost opportunities as long as the overall portfolio remains cost-effective.

#### **IV. The Commission Should Mandate Statewide Consistent Programs**

The three portfolio administrators propose several programs that should be consistent statewide. "Statewide consistent" means that the programs target the same customers and same measures, have the same eligibility rules and incentive levels, and have the same program applications and participant agreements. Program types that should be statewide consistent include: 1. Programs offered through "big box" retailers (such as Home Depot) that have stores throughout the state; 2. Programs targeted at trade allies, such as equipment distributors and vendors, who operate throughout the state, and 3. Programs targeting large commercial or industrial customers who have facilities throughout the state and not just in one service territory. Entities that operate statewide do not want to have the hassle and administrative costs associated with different programs that address the same measures.

NRDC recommends that the Commission order the three portfolio administrators to develop guidelines on what programs should be statewide

consistent with input from the Stakeholder group, then implement statewide consistent program where doing so is consistent with the adopted guidelines.

**V. NRDC Recommends that the Commission Identify and Define Broad Cost Categories for Demand-Side Portfolio and Program Expenses, then Review and Monitor Administrative Costs**

Program success and measure penetration are influenced by the magnitude of the incentives that customers receive and the overall amount of the program incentive budget. The more money allocated to incentives, the more successful the program will be. In contrast, program administrative costs do not necessarily correlate with improved program performance. Furthermore, in other jurisdictions, energy efficiency administrative costs have been used to cross-subsidize activities that don't contribute to energy efficiency program success.

NRDC recommends that the Commission identify, then define, a few broad cost categories for energy-efficiency program expenses. Four cost categories that would capture key distinct portfolio and program activities are: administration, implementation, marketing and outreach, and incentives. NRDC recommends that the Commission review administrative costs to assess whether they are necessary and prudent.

Once cost-categories are defined, NRDC recommends that the Commission monitor administrative costs to ensure energy efficiency program dollars are spent to maximize benefits from the demand-side portfolio and are not used to cross-subsidize other activities.

**VI. Conclusion**

NRDC appreciates the opportunity to comment on ComEd's Energy Efficiency and Demand-Response filing and recommends that the Commission approve the filing so that programs can move forward and start producing energy savings for the State of Illinois.

NRDC respectfully requests that the Commission take the following actions in the order approving the 2008 – 2010 Energy Efficiency and Demand Response Plans:

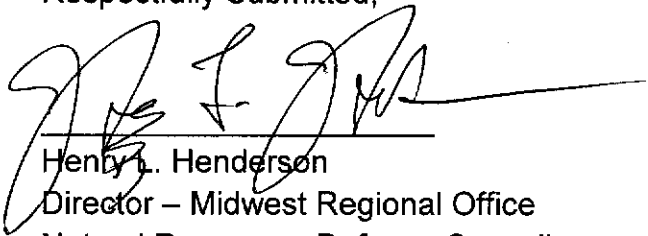
1. Require a combined Advisory Demand-Side Stakeholder Collaborative Process for all three portfolio administrators. NRDC's recommendations for process principles and guidelines are set forth in Attachment A;

2. Order the three portfolio administrators (ComEd, DCEO and Ameren) to develop guidelines on what programs should be statewide consistent with input from the Advisory Process group, then require specified programs to be statewide consistent;
3. Clarify that program measures and program elements can be added to the portfolio to capture interactive effects and address potential lost opportunities as long as the overall portfolio remains cost-effective; and
4. Define broad cost categories for demand-side portfolio and program costs, then monitor administrative costs to ensure dollars spent are necessary and prudent.

Dated:

November 30, 2007

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Henry L. Henderson', is written over a horizontal line.

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**State Of Illinois  
ILLINOIS COMMERCE COMMISSION**

**COMMONWEALTH EDISON  
COMPANY**

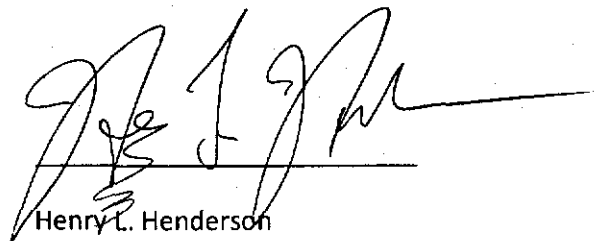
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**NOTICE OF FILING**

To: Service List

Please take notice that on December 3, 2007, I caused to be sent to Elizabeth A. Rolando, Chief Clerk, Illinois Commerce Commission, 527 East Capitol Avenue, Springfield, Illinois, 62701, by U.S. Postal Service, the Natural Resource Defense Council's Petition For Leave to Intervene in the captioned proceeding and the Natural Resource Defense Council's ("NRDC") Comments regarding Commonwealth Edison Company's 2008 – 2010 Energy Efficiency and Demand Response Plan filed at the Illinois Commerce Commission on November 15, 2007, in the above captioned docket.

Dated: December 3, 2007



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COMMONWEALTH EDISON  
COMPANY

## CERTIFICATE OF SERVICE

Dated: December 3, 2007